

THE CITY OF WICHITA



OFFICE OF THE CITY MANAGER
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November 16, 1990

The Honorable Mayor and
Members of the City Council
City of Wichita
Wichita, Kansas

Dear Mayor and Council Members:

Presented is the City Manager's Adopted 1991/92 Budget. City Council action on this operating budget, along with the Capital Improvement Program, will greatly affect the community in terms of public services and capital project construction -- key elements in the economic vitality and quality of life in Wichita. This budget outlines a two-year operating plan (1991 and 1992), and forecasts budgetary requirements for five years (1991-1995).

The City Council balanced the community's needs for services against the City's ability to finance those services. Adoption of this budget was the result of careful consideration to develop a plan to carry out the City's business.

MAJOR BUDGET ISSUES

All elements of the annual budget are important. Considerable detail on every budget item is contained in this adopted budget and supporting information. Certain key issues are highlighted as the most important that were addressed by the Council:

- ° Reappraisal -- continues to negatively impact the City's budget and will result in an approximate \$1.6 million (1.3 mills) shift from the Motor Vehicle Tax to the Property Tax beginning in 1991.
- ° Public Safety Services -- will receive major enhancements in 1991/92 with the addition of 20 locally funded Police Officers, a west-side Police station, expanded Fire services for hazardous materials, relocation of Fire Station #16 (1992), and the implementation of the new 800 MHz emergency communications system.
- ° Cultural/Leisure Service -- enhancements are included in the 1991/92 Park, Library, and Art Museum budgets to improve the quality of life in the community.
- ° Downtown Redevelopment -- project funding in the amount of \$28 million is included in the Capital Improvement Program for elements of the proposed downtown plan. Review is underway to determine the City's additional debt capacity available for downtown redevelopment.
- ° Utility Rate Increases -- are required in 1991 and 1992 to finance plant expansion and build a financial reserve in anticipation of large expenditures for a new water supply for the next century.
- ° Employee Wage/Benefit Improvements -- were the subject of negotiations between the City and employee groups. The City's goal has been a fair and competitive wage/benefit package.

A BUSINESS PLAN FOR THE PUBLIC'S BUSINESS

The City is a municipal corporation. While a public corporation is not identical to a private corporation, there is a similarity in the need for an overall business plan. For the City corporation, this takes the form of a multiple number of plans: the Strategic Agenda, the Capital Improvement Program, an annual operating Budget, and several other management reports and documents. It is through the annual operating Budget that the City outlines the overall direction of its plan to carry out the public's business. This plan sets out a program of services to the public (Service Plan), makes the City corporation accountable to the citizen/stockholders for financing those services within a prudent fiscal framework (Financial Plan), and seeks to manage those programs efficiently (Management Plan).

SERVICE PLAN

The plan of services to the public is found in several places, in addition to the appropriations for funds outlined in the operating budget. The Strategic Agenda contains 218 strategies involving nearly every City department. As part of budget submittals, departments are requested to outline how strategies are carried forward in the requested appropriations. Other capital projects are reflected more in the separately published Capital Improvement Program (CIP). Still other elements of the Service Plan are in the form of special studies (most notably impacting this budget are the Police operations study, the emergency communications radio system study, fire station location modeling, etc.), or the reports of special study committees (recycling, composting, etc.).

The only kind of planning worth doing demands attainable goals, programs to reach them that have been well thought out, and the resource base to sustain them. The critical element in that resource base is the financial capability to carry them out. The service enhancements outlined in this Budget are intended to add substance to the recommendations outlined in the various plans and reports commissioned by the City.

Public Safety services are the single largest operating expenditure for City government. Nothing is more basic to the public's expectations of City government than Police, Fire, and Emergency Communications. A major enhancement in the City's public safety service plan is police protection. The Police operations consultant study made many recommendations, the most important of which was to expand Police field patrol through the addition of more officers. To the extent possible and recommended by the study, increased coverage has been provided through reassignment of existing Police personnel within the department. The 1991/92 Budget includes a two-year phase-in of the additional patrol positions recommended by the study. A total of 13 new Police Officer positions is recommended for 1991, and an additional 7 positions in 1992. The City has also been successful in securing a grant for special drug enforcement efforts.

Following the example of the east Police station, the City is also proceeding with a new west Police station, as part of a Police/Fire station complex, to move basic police patrol coordination closer to the patrol locations for increased productivity.

A new Fire Station #17 is planned, along with 17 additional firefighter positions for 1991. A review of fire incident information through the fire station location model indicates this station is better located north of the original site, provided existing Fire Station #16 is relocated. This combination of one new and one relocated station will improve coverage in west Wichita without the need to consider the addition of another new (18th) station.

The City and County previously commissioned a study of replacement of the emergency communications radio system (more than 20 years old). The study recommended installation of an 800 MHz system. The installation of this system is programmed over two years (1990 and 1991). In cooperation with the County, the "backbone" portion of the system will be installed in 1990. The equipment for Police and Fire, as well as for non-emergency departments that will use the system, is scheduled for 1991. In Emergency Communications, the Budget reallocates one existing position to a rotating dispatcher to relieve overtime and job stress.

Quality of Life services have been identified by the Strategic Agenda and the efforts of WI/SE Partnership for Growth as critical to promoting economic development within the community. The 1991/92 Budget contains significantly increased service levels to support the City's offerings in culture and recreation.

The Art Museum Board has been very successful in promoting record levels of attendance. To meet museum needs for security, the 1991/92 Budget includes the addition of security personnel and equipment. For Botanica, the Budget provides permanent assignment of a gardener position previously on temporary loan.

The Library is a major "quality of life" focus of the budget. Funding (\$207,000) is included to begin relocation of selected branch libraries. To ensure the highest and best use of this appropriation, the allocation is contingent upon the Library Board conducting an overall review of branch libraries. In addition to branch libraries, the budget includes a new appropriation of \$133,000 conditioned upon the Library Board identifying an equal amount for installation of a new library computer system annually. This new system not only will expand capabilities for management of the library collections, but will expand computer access to library patrons as well.

No less a part of quality of life today is the concern for the environment. This budget will consolidate and expand natural resource conservation efforts in one office. In addition to energy studies, which have long been done by the City resulting in substantial savings, this new work group will manage the City's solid waste and recycling initiatives. A major new program to promote water conservation is also provided as part of this activity.

On the regulatory side of environmental services, the Fire Department has included a new Hazardous Materials Inspection Program targeting facilities that store, use, transport, or manufacture hazardous materials. The cost of this program is to be recovered from permit and licensing fees.

To assist the disadvantaged, two new efforts are planned. A Housing Specialist is included to begin identifying resources to implement the affordable housing recommendations of the Housing Task Force. This position is to identify new resources for housing programs and services that will more than offset the salary and benefits of the position within one year.

Another program places \$50,000 in a special fund for youth programs. Human Services, in conjunction with Park and Recreation, will develop a package to assist disadvantaged youth with transportation, admission fees, and other costs to permit expanded participation in the City's summer and other recreation programs. The loss of Federal funding has increased local funding of recreation centers an additional \$85,000.

Infrastructure is the City's critically important physical framework provided by the system of streets, sewers, water and other facilities. The infrastructure supports every aspect of the business, residential, and entertainment life of the community. It is estimated that the infrastructure has a replacement value of more than \$1.4 billion.

The expanded level of street maintenance, begun in 1990 with the availability of increased Gas Tax revenues, will continue into 1991/92. This included installation of a "Pavement Management System" to monitor the condition of roadways and prioritize maintenance efforts. A new initiative for 1991/92 is budgeted in bridge maintenance. A special program (\$155,000) is planned to better inspect and maintain the City's 168 bridges.

Plans for a new Computerized Traffic Signal Control System are proceeding. The initial (1990) installation in the Central Business District will be followed with future phases adding selected, high volume arterial intersections. The new system will synchronize signals to enhance safety and convenience in traveling throughout the City.

An expanded effort is included in Park and Forestry maintenance. An additional five maintenance personnel will be used to augment existing crews to address high priority concerns and increase the frequency of park mowing, tree trimming/removals and maintenance. Through equipment replacement funds, the City is also undertaking a major upgrade of Park maintenance equipment to enhance safety and productivity.

Also part of the City's infrastructure is its information base regarding land use. Contingent upon City Council and County Commission approval of increased planning/zoning fees, a major rewriting of the City's zoning ordinance and requirements will be undertaken in 1991/92.

The new secondary wastewater treatment plant is now complete and operational. The initial effort in elimination of the odor problems from the primary treatment plant is also underway.

On the horizon remains the determination about a Stormwater Drainage Utility. The 1991/92 Budget maintains the current level of (minimal) maintenance. The Storm Drainage Utility is necessary, however, if the City is to properly maintain its existing drainage system, as well as address the unmet drainage problems.

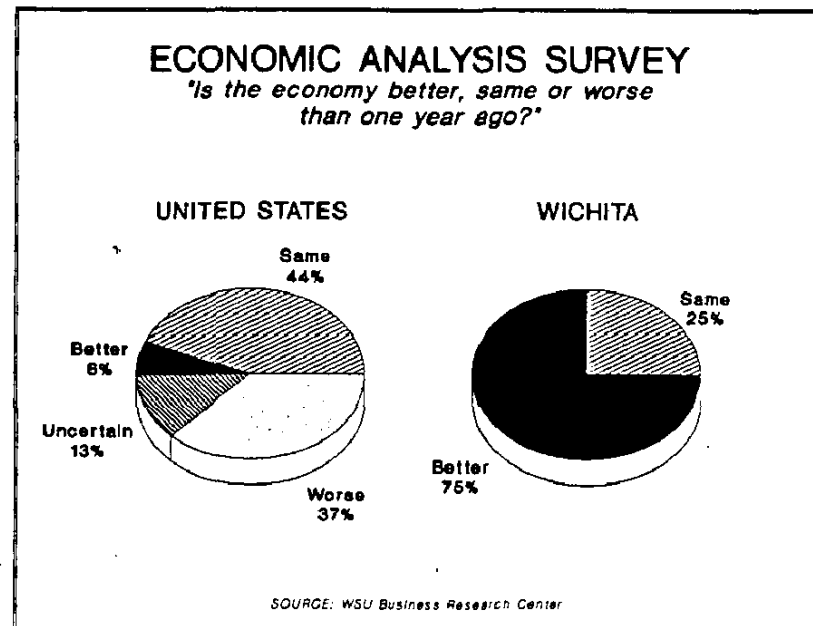
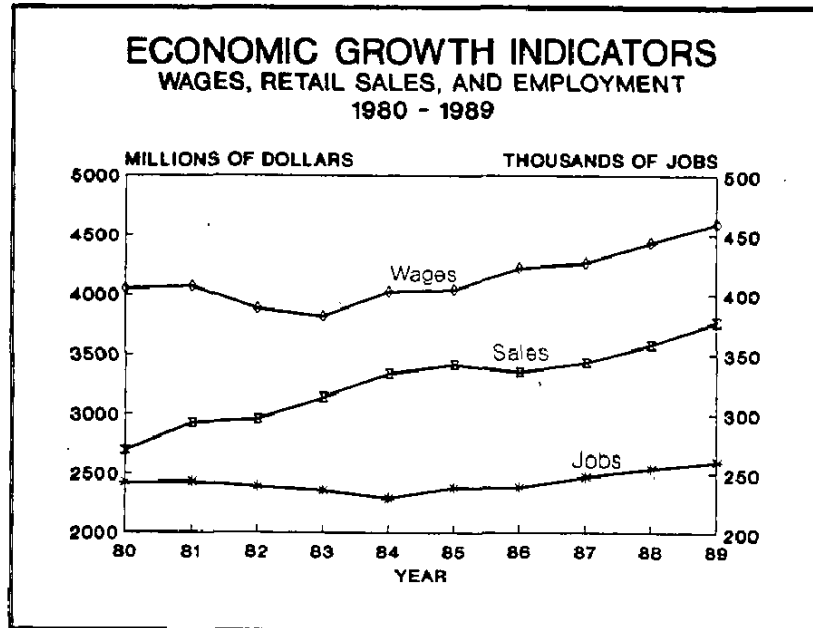
Finally, it is necessary to continually recognize the need for progress in identifying a new water supply. If recent consumption trends continue, the City may need a new water supply very soon into the next century, as well as expanded capacity for water treatment.

Economic Development is an increasing focus in City projects and services as part of the City's participation in the public-private WI/SE Partnership for Growth. The community's effort in a joint public-private partnership for economic development has met with success. The Wichita area economy has a stable and growing base to support the continued moderate growth trend. Key economic indicators (wages, retail sales, and employment) reflect positive trends in the economy.

The City makes an annual contribution of \$250,000 to the WI/SE effort. Additionally, the City is now funding \$295,000 in initial consultant expenses to review recent proposals for downtown revitalization, as well as continuing developmental efforts on "Old Town" and the "East Bank" projects.

These efforts in economic development have produced not only tangible economic growth, but a positive attitude and outlook about the future. As important as the economic indicators, the attitude of Wichitans about the present and future of the local economy is positive. In a recent survey on the state of the economy, the respondents overwhelmingly (75%) reported the local economy was "better" than one year ago. This contrasts with responses about the national economy where only 6% responded that the economy was "better."

Overall, the City has sought to respond through a "Service Plan" outlined in this budget to the multitude of demands for programs and services. The ability of the City to respond beyond these service levels is constrained by the financial limitations of the Financial Plan.



FINANCIAL PLAN

Sound financial planning is important for the municipal corporation. A clear example of the importance for sound financial planning is the recent uncertainty surrounding property reappraisal and its multi-year impact on local government finances.

The City's goal in financial planning is to maintain the public's trust/confidence in its financial stewardship of the public purse through long-term financial forecasting, a balanced budget, cash reserves to absorb cyclical variations in revenues without reductions in services, investor confidence in the City's bond value, and stable tax levies.

The City has established a practice of multi-year budget forecasting. Long-term monitoring of revenues and expenditures helps to avoid a recurrence of budget shortfalls leading to service reductions and employee layoffs. The budget provides a two-year expenditure plan (1991 and 1992), which is financed from available revenues, and forecasts an additional three years (1993-1995) for fiscal planning in identifying future trends.

A key element of the City's Financial Plan is revenue diversification. Although the property tax remains an important source of revenue, the City has been highly successful in reducing reliance on property taxes. The property tax constitutes only 20% of total revenues and 29% of the taxing (General and Debt Service) funds. This compares favorably with recent reports which indicate that property taxes provide 38% of the funds for state and local government in Kansas, and 85% of the revenue for local governments.

Revenue diversification has been possible through use of the local sales tax, which has reduced reliance on property taxes by \$13.8 million, or 10.4 mills. In addition, the City has identified more than \$7.6 million in user fees to finance significant portions of the General Fund operating budget.

Another important policy in the City's financial plan is a balanced budget, in both the legal and fiscal definitions. That means current year revenues equal or exceed same year operating expenditures (excluding one-time enhancements). This balanced budget is the direct consequence of re-establishing cash reserves, and separating those reserves from other revenues in considering funds available for ongoing operating expenses. For 1991/92, the Budget continues to project approximately 5% reserves.

The effort to match annual revenues with annual operating expenditures has also aided the City in another important financial goal -- to maintain stable property tax rates. The adjustment in the tax levy from 28.015 to 29.284 is the result of a State-mandated tax shift from the Motor Vehicle Tax to the Property Tax -- the City will realize no additional revenue from this shift.

Prior to 1988, the City maintained numerous separate funds (12 taxing funds alone), which confused the City's finances (for example, in some years the Park/Library/Art Museum Fund would be in a deficit position, while the General Fund had a surplus). The City has undertaken an aggressive program of fund consolidation to reduce the number of separate funds. This affords the City Council improved policy oversight in the allocation of resources to the competing demands for programs/services. Beginning in 1991, the City will now have only two taxing funds -- the General Fund for operations and the General Debt and Interest Fund for capital projects.

The City's 1990 Budget was awarded the "Distinguished Budget Presentation Award" from the Government Finance Officers Association (GFOA), recognizing the budget document as an operations guide, financial plan, and communications medium. The City also achieved recognition with the award of the GFOA "Certificate of Achievement for Excellence in Financial Reporting," certifying the integrity of the City's financial reporting in accordance with governmental accounting standards. The City is also continuing to seek an improved credit rating from AA to AAA (the highest rating). The City's bond issues already have the investor confidence and recognition in the bond market place at the near equivalent of AAA through favorably priced bids.

The future holds uncertainties for the City's financial planning. Demands for increased public programs and services can be expected to grow at a rate faster than the City's current resources can fund. The Federal and State governments continue to mandate new programs and restrictions on local governments at a time when overall

Federal and State funding is decreasing (this is particularly true in social service programs). The City must continue to identify ways and means to further diversify revenues and make services more cost effective/efficient.

MANAGEMENT PLAN

The City's Business Plan does not start and end with adoption of the annual budget. It is necessary to put into place means to ensure that taxpayers receive the maximum in programs and services for each dollar spent. The budget is managed every day of the fiscal year.

To monitor program costs, productivity, and effectiveness, the City is currently implementing an extensive Performance Measurements System. Every critical program, project, or service will identify quantitative measures on work load and program effort. The City Council will receive periodic reporting on program efficiency and responsiveness. This information will be useful for the Council in future decisions regarding allocation of resources.

Part of the City's plan is to utilize the expertise in the private sector to improve City services. The City will continue to explore opportunities for privatization of selected services, where privatization can reduce costs or improve service levels. In addition, the City will continue to avail itself of the services of private sector "loaned executives" to examine City programs and offer recommendations for improved operations/practices.

Consolidation of City operations will be examined in an effort to eliminate duplication of effort, thereby reducing costs. Areas for consolidation studies include facility/equipment maintenance, inspectional services, and accounting. In each budget year one major department is identified for a thorough operational review by an outside consultant. A Fire study is included in the 1991/92 Budget.

An important part of any organization is the contribution of its "human resources," the employees who carry out the wide array of public services. In recognizing the effort and contribution of employees, the City's strives to focus on compensation, safety, and training. In compensation, the City's goal is to achieve a fair and competitive wage/benefit package. Wage/benefit surveys are conducted annually in conjunction with negotiations with the three employee unions (Fraternal Order of Police, International Association of Fire Fighters, and Services Employees), and discussions with nonunion Employees' Council.

Job safety of employees is essential to the City organization. Over the last several years, the City has expanded its focus on providing employees with a safe workplace. The budget includes funds for equipment replacement, with priority given to replacing potentially unsafe equipment. Beginning in 1992, the budget will fund an additional safety specialist to increase safety programs and inspections.

Employee Development/Training also is a high priority. The City is completing a detailed training needs assessment in which every City employee was given an opportunity to provide input on training needs for their respective job. The funding for training programs has also been increased for 1991 and 1992. The City is continuing to address the concerns and recommendations from two employee committees on special issues facing minorities and women in the workplace. Beginning in 1991, a full-time EEO/AA Officer will oversee and ensure implementation of the City's equal employment opportunity efforts.

Finally, the hundreds of volunteers who provide direct support to the community by serving on boards/commissions, or assisting the daily operations of many public facilities (museums, libraries, parks, etc.) deserve recognition as well. Their time and expertise is invaluable.

1990 REVISED BUDGET

The budget includes revised estimates of current year (1990) revenues and expenditures. The procedure of revising the budget is an important element of financial management, designed to provide an updated estimate of revenue and expenditure trends in the current year and to improve budget development for the next year. Revenues above and expenditures below budgeted projections increase the City's cash reserves for future years. On balance, the net of over-collection of revenues and underexpenditures in the General Fund is increasing the cash reserve by

\$1,813,610 (this number will be diminished to the extent that unanticipated one-time costs are made as non-operating expenditures). If one-time fund transfers are excluded, the combined revenue/expenditure projections are within .2% of budget.

Significant negative changes in revenue estimates impacting the taxing funds (General and General Debt and Interest) include declines in property taxes (\$735,730) due to lower than anticipated collection rates, and fines/penalties (a \$600,770 net decrease after the new revenues from domestic violence are included) due to a lower rate of moving and parking ticket issuance. Positive changes in revenues include a higher collection of motor vehicle taxes (\$199,840), state shared revenues (\$112,440), increased interest earnings (\$896,480), and one-time transfers of excess reserves from the Fleet/Building (\$1,018,100) and Workers Compensation (\$500,000) internal service funds.

The General Fund operating expenditure budget was projected with the anticipation that savings would result in expenditures below budget of \$476,990. The revised 1990 budget reflects a total underexpenditure of \$1,279,898, resulting in a net underexpenditure of \$235,075 over and above projected savings. This net underexpenditure is being applied to offset the \$245,000 cost of the downtown redevelopment studies and the \$150,000 additional cost for the storm clean-up effort (with the remainder drawn from cash reserves in the General Fund).

1991 ANNUAL BUDGET

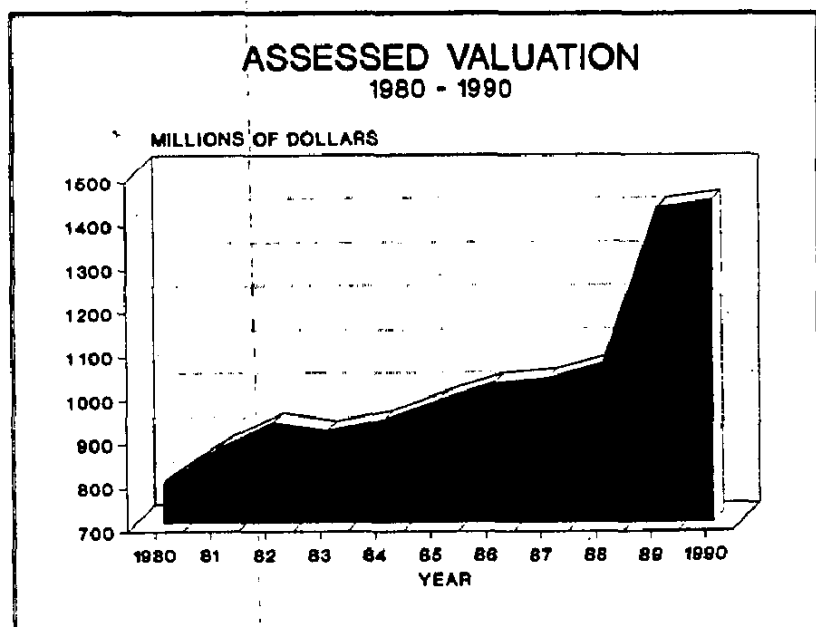
The adopted 1991 Budget totals \$204,974,817, compared to the adopted 1990 Budget of \$201,619,931. Both years are exclusive of sales tax expenditures for capital improvements, internal services, enterprise construction, and interfund transfers, to eliminate double counting of expenditures and co-mingling of operating and capital expenses. The differences are primarily the result of increases in personal services, water/sewer expenses, increased reserves, and contractual services. In keeping with City fiscal policies/practices, the budget is balanced -- operating expenditures are within operating revenues and total expenditures are equal to available resources.

General Fund operating expenditures in 1991 of \$100,079,010, which finance basic City services, reflect an increase of \$3,372,380 over the current Budget. Much of this increase is attributable to personal services, new program/service enhancements, and increased costs for existing program/service levels.

1990 MILL LEVY

As of the July 1, 1990, notice from the County Clerk, the preliminary assessed valuation (the measure of property values for taxation purposes) of \$1,452,089,156 reflected a growth of 1.9% (\$27,476,470) in the addition of new property on the tax rolls in the past year. The levy required to finance the 1991 (and 1992) Budget is 29.284 mills, compared with 28.015 mills for the 1990 Budget, an increase of 1.269 mills (an average annual increase of 2.3% over the two year budget).

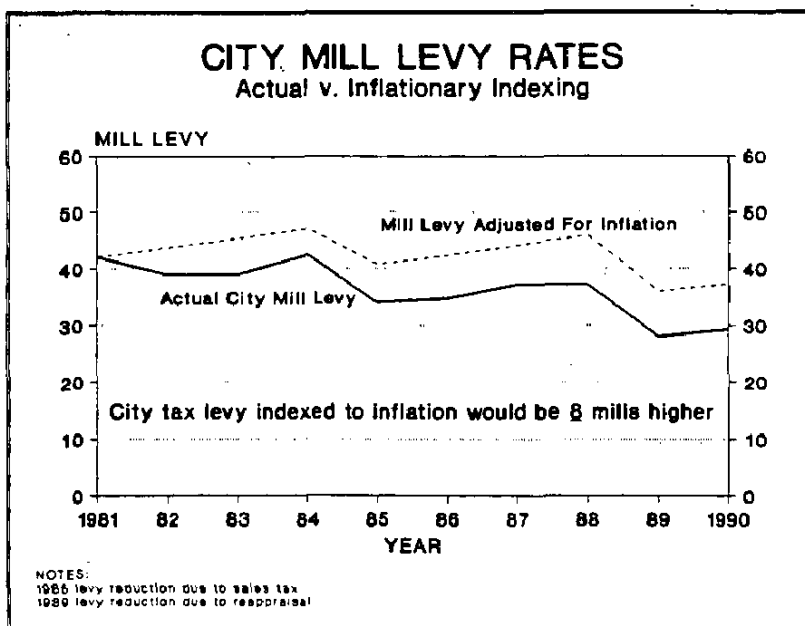
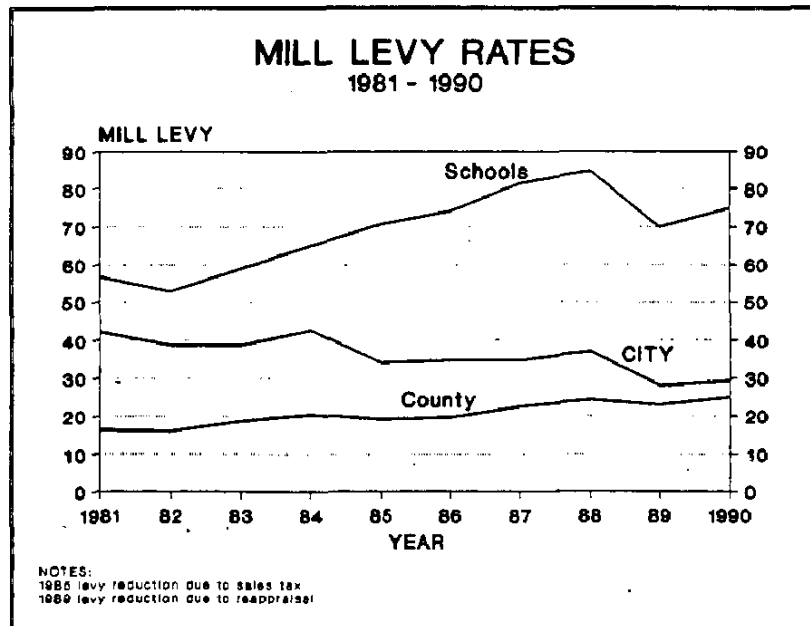
Property reappraisal is reducing projected Motor Vehicle Tax collections by \$1,675,860 and shifting this amount to the Property Tax. This State-mandated tax shift accounts for the total adjustment in the levy. The City is committed to maintaining stable taxation during this period of reappraisal uncertainty.



The property tax levy is divided among three primary taxing jurisdictions: City, Schools, and County (plus 1.5 mills for the State Building Fund). In examining a multi-year trend, City government remains the only local taxing jurisdiction with a property tax levy that is lower than ten years ago. The 1990 mill levy is 29.3 mills compared with 39.5 mills in 1981.

Final assessed values are set by the County in September of each year, after budget development was completed. It was necessary to alter (marginally) the mill levy after the final assessed valuation was known. The amount of taxes levied (Property and Motor Vehicle combined) by the City for the 1991/92 Budget, however, are the same as those levied for 1989, excluding new improvements and annexed areas.

In line with tax collection rates post-reappraisal, the projected delinquency rate has been increased to 7%, higher than the City's historical 5% tax delinquency rate pre-appraisal. The higher delinquency rate is because of the adverse impact of reappraisal on some property owners and the large number of expected appeals. This trend may abate in future budget years after reappraisal is fully implemented.



The positive trend of the City's declining reliance on property taxes can be seen even more dramatically when the relative impact of inflation on City finances is added to the existing mill levy. If the mill levy were indexed to inflation, City tax rates would be 8 mills (27%) higher than current rates (the current growth in assessed valuation is due to community growth through new development and annexation, not inflation).

On a comparative basis with the 23 other first class cities in Kansas, Wichita's 1990 mill levy is 23% below the 36.4 mill average. In terms of total local levies (City, County, Schools, State combined) the Wichita area levy of 122.6 mills is

10% below the average in the same cities of 136.3 mills. (Comparative information on 1991 Budget levies of other cities is not yet known.)

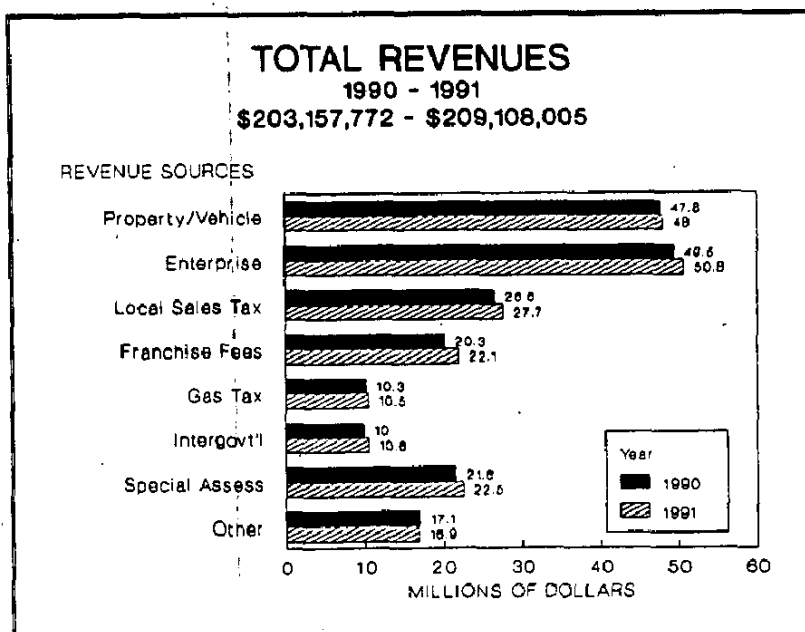
For every dollar in property taxes paid, less than 23 cents goes to support the many City services. The Schools account for 57.3% of the total levy. The County adds 19.2%, and the State 1.1%.

Over the last three years, the City's program of fund consolidation has reduced the number of taxing funds from twelve (12) to two (2). For the 1991/92 Budget, the Gas Tax fund has also been consolidated with the General and Park/Library/Art Museum (PLAM) funds. The total proposed City mill levy is allocated as outlined below.

<u>City Tax Levy Funds</u>		
<u>Fund</u>	<u>1990</u>	<u>1991/92</u>
General Fund	18.645	19.387
General Debt & Interest	9.370	9.897
Total Tax Levy (mills)	<u>28.015</u>	<u>29.284</u>

BUDGET REVENUES/EXPENDITURES

REVENUES: The 1991 financing sources of \$209,108,005, compared to 1990 sources of \$203,157,772, are derived from the revenue sources shown on the graph. The 1991 Budget continues to identify additional revenue sources to maintain existing services and to help offset demands on property taxes. Included in the budget are increased user fees/ charges to more equitably place the burden of paying for the service on those using and benefiting from it. Some of the proposed increases included in 1991 are: Library donations or user fee increases, Planning development fees, Police training/special services, and hazardous materials inspection fees. The Water and Sewer utilities will now be charged a five percent of receipts franchise fee comparable with the fee paid by other (private) utility companies.



In addition to user fees, other increases include the implementation of the last year of ten (10) percent adjustments in sewer rates previously approved by the City Council to meet costs for the new secondary treatment plant; six (6) percent adjustment in water rates in 1991 and 1992 for water plant expansion and to build fund reserves for acquisition of a new water supply; a new operator contract and fee increases in landfill charges to meet increased environmental requirements and monitoring activities; and a county-wide increase in the City 9-1-1 tax to pay for a new 800 MHz Emergency Communications radio dispatch system (to be implemented jointly with Sedgwick County).

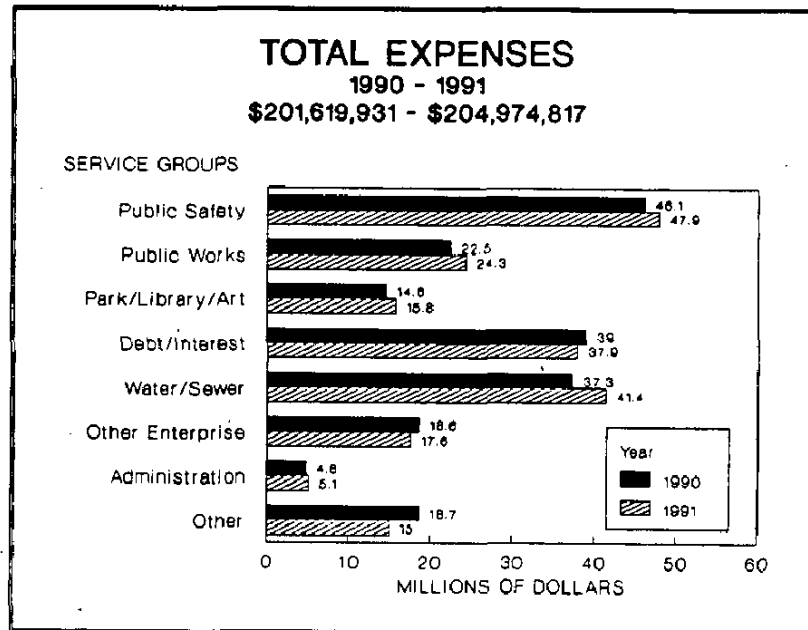
As the City continues to grow and experience greater demands for services, the stress on City finances will increase. The City has made and will continue to make every effort to reduce costs, and will strive to make services more efficient and responsive. Because of mandates and constraints placed on cities by statewide reappraisal, together with a continuing decrease in Federal shared taxes, the City can no longer provide more services than those currently provided with the same or less property tax.

To meet the many desires of adding to and improving our community facilities, and to make our community even more attractive, future consideration should be given to implementing a food/beverage tax. This source could be used to enhance various community assets identified in the downtown redevelopment plan such as the museums, libraries, and other cultural and entertainment features, or other activities that will make Wichita a quality City.

EXPENDITURES: The proposed 1991 expenditure budget of \$204,974,817, compares to 1990 expenditures of \$201,619,931. The following chart summarizes 1991 expenditures by program/service groupings.

Personnel Costs: Salaries/fringe benefits for 1991 reflect an increase of \$5,331,200 in the budget. Staffing levels account for 40.1 percent of the total City operation and 68 percent of the General Fund budget.

The 1991 Budget provides for additional employee positions to staff new or expanded services/facilities in public safety (Police and Fire), maintenance (bridges, parks and rights-of-way), inspection services, utility management, natural resource conservation, affirmative action, and cultural/recreational facilities (Art Museum, Botanica and Library).



Major New Expenditures: Increases in 1991/92 expenditures for new/expanded programs and services include the following:

Additional Police (1991)	\$438,880
Additional Police (1992)	258,270
West Police Station	18,490
Fire Hazardous Materials Inspection	126,000
Natural Resource Conservation	294,440
Human Services Youth Recreation	50,000
Library/Museum/Park Enhancements	485,660

A summary of total 1991 Budget costs by expenditures category is outlined below:

Personnel	40.1%
Contractuals	18.6%
Commodities	5.3%
Capital Outlay	2.9%
Debt Service	25.1%
Transfers	2.3%
Other	5.7%

1990 ADOPTED GENERAL FUND BUDGET

The total 1991 revenues for the General Fund are projected at \$100,556,000. This amount compares with the 1990 adopted budget of \$96,005,170. A graphic summary of General Fund revenues is shown (at right). The property tax represents only 27% of total General Fund revenues.

General Fund budgeted operating expenditures are \$100,079,010. This amount compares with the 1990 adopted budget of \$96,419,607. A summary of the General Fund expenditures (by program/service grouping) is also shown.

The 1991 General Fund operating budget shows revenues exceeding expenditures in 1991/92. In addition to recurring operating expenditures, the budget appropriates certain non-recurring expenditure items totalling \$5,450,100.

The City maintains assets of approximately 1,520 miles of streets, alleys, and bridges, and more than 120 buildings and parks with an estimated replacement value of \$1.4 billion. The Capital Investment Maintenance Program provides a special fund for the maintenance of these capital assets. Proper and timely maintenance of these assets will increase their useful life, as well as the safety and convenience of the public.

The fund for Appropriated Capital Expenditures is a discretionary fund for one-time capital expenditures as determined by the Council.

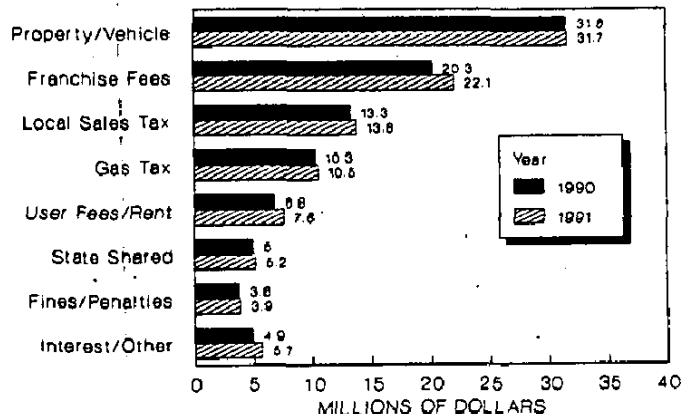
The 1991 General Fund Budget identifies \$2,535,000 for the full payment of the Federal Court (Police) settlement. This payment will be made from fund reserves (\$1,816,460) and 1991 revenues above operating expenditures (\$718,540). Absent this expense, the City could have absorbed all or a portion of the Motor Vehicle Tax loss.

The General Fund also includes a small contingency fund for expenditures not known or anticipated at the time of budget preparation. If this amount is exceeded (e.g. storm damage, downtown studies, etc.) the additional cost would be absorbed from reserves. A summary of non-operating expenditures is outlined at the top of the next page.

GENERAL FUND REVENUES

1990 - 1991
\$96,005,170 - \$100,556,000

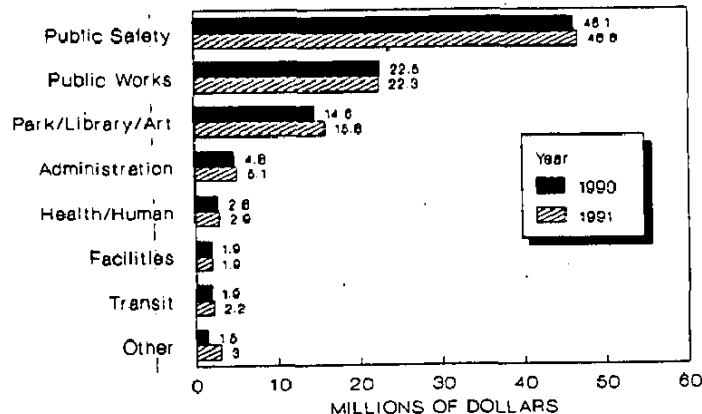
REVENUE SOURCES



GENERAL FUND OPERATING EXPENSES

1990 - 1991
\$96,419,607 - \$100,079,010

SERVICE GROUPS



Federal Court (Police) Settlement	\$2,535,000
Capital Investment Maintenance Program	1,018,100
Appropriated Capital Expenditures	<u>1,897,000</u>
TOTAL	<u>\$5,450,100</u>

The year-end 1991 General Fund cash/fund balance is estimated at \$4,831,520, or approximately 5%. The full amount of the reserve is shown in one place for purposes of this budget presentation. State law permits maintenance of a 5% unappropriated reserve.

PROJECTED BUDGET FOR 1992

The approved 1992 Budget projects \$202,835,419 in expenditures. In the General Fund portion of the 1992 Budget, expenditures are projected at \$103,516,240. The 1992 Budget foresees no increase in the mill levy set in the first year (1991) of the two-year budget.

CASH RESERVES

Throughout the budget development process, staff was cognizant of the need to project realistic cost estimates and revenue forecasts for future years to ensure financial stability and prevent operating deficits. The 1990 General Fund is projected to have a \$9.8 million ending cash balance, an approximate 10% of revenues (a portion of the cash reserves, \$1.8 million, is targeted for the one-time payment in the Federal Court settlement in 1991). The importance of maintaining reserves is to properly manage adverse revenue changes during the year and to ensure an adequate carryover operating fund balance to avoid sharp increases in the City's mill levy in the future, or cut-back management practices. Projected cash reserves averaging at the 5% target should be maintained during the two-year budget period.

IMPACT OF REAPPRAISAL AND CLASSIFICATION

A major issue that has impacted the preparation of the 1989 through 1992 Budgets is state-wide property reappraisal and classification. The 1985 Kansas Legislature approved a plan for state-wide property reappraisal. All counties in Kansas were required to complete this reappraisal by January 1, 1989.

The voters of Kansas approved a State Constitutional amendment in 1986, which provided for classification of property for property tax purposes. That classification permitted assessment of property as follows:

<u>Property Use</u>	<u>Assessment</u>
Residential & Vacant Lots	12% (fair market value)
Commercial/Industrial	30% (fair market value)
Motor Vehicles	30% (fair market value)
Machinery/Equipment	20% (fair market value)
Agricultural	30% (use value)

For taxation purposes, the implementation of both the property reappraisal and classification initially occurred with tax levies made in 1989 to fund the 1990 Budget. The State Legislature also imposed a restriction on local

governments (excluding school districts): "aggregate" property tax revenues in the 1990 transition year, after reappraisal, could not exceed those raised in the preceding (1989) year for funds subject to the current tax lid law (General and PLAM funds). The limitation does not apply to the City's General Debt and Interest Fund.

In the year following the reappraisal transition (1991 Budget), the City is experiencing a major tax shift. The Motor Vehicle tax is computed on the basis of the county-wide average of real property tax mill levy rates for the preceding year. Because reappraisal substantially increased assessed valuations, mill levies dropped. The county-wide average mill levy declined proportionately and (because motor vehicles are, and will continue to be, assessed at 30% of fair market value) reduced the City's revenues from Motor Vehicle taxes by approximately \$1.6 million. This is the equivalent loss of 4.6% of the City's property tax revenue base. For the 1991 Budget, the State Legislature has again imposed a tax lid with the exception that the Motor Vehicle Tax loss may be shifted to an adjustment in the Property Tax mill levy. It is expected that the aggregation of individual tax appeals, especially for commercial property, will continue the uncertainty resulting from reappraisal for an extended period.

CAPITAL IMPROVEMENT PROGRAM

The City Council previously approved the 1991 - 1999 Capital Improvement Program (CIP) and adopted the first two years (1991 - 1992) as a capital budget for purposes of project initiation. The preparation of the capital budget followed established CIP guidelines adopted by the City Council in tax levy support (9.8 mills adjusted for reappraisal impacts) and bond financing terms (ten year, level principal and interest) for general obligation debt.

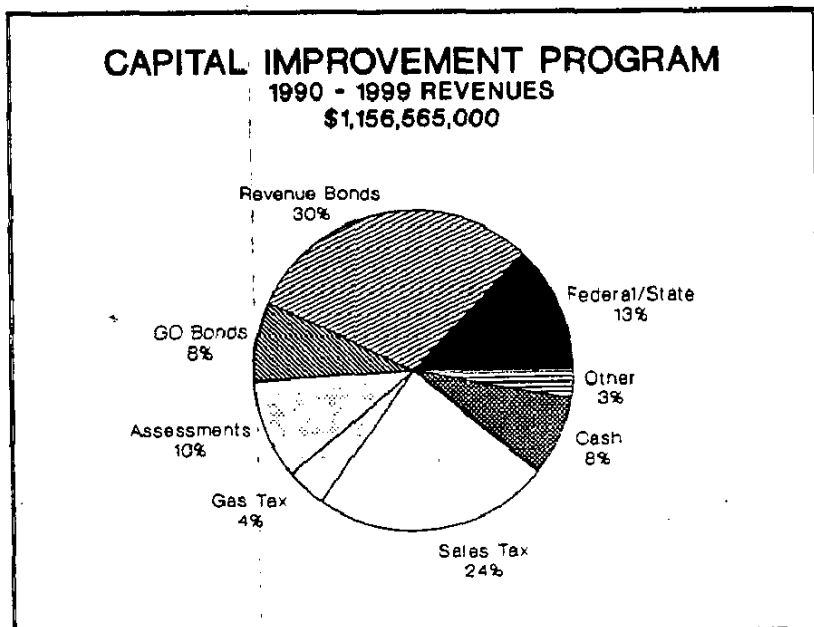
The CIP has undergone a major format revision. Considerable effort was made to include a more comprehensive overview of capital needs in the community -- even those projects which cannot be funded within the time period for capital project planning. The time horizon of the CIP has also been extended from six to ten years for improved project planning, especially for freeway and water supply project scheduling.

The CIP is projected to cost \$1,156,565,000. This number is subject to revision as the specific project schedules and financing projections come closer to realization.

The chart (at right) identifies the resources available for capital projects.

The improvements and financial work plan for the ten-year period contemplate no increases over existing tax levy support. Property taxes account for approximately 11.6% of the ten-year program costs. In addition to (mill levy supported) bonding, revenues to support this program will be principally derived from sales taxes, special assessments, utility income, and Federal/State assistance. The program assumes that annual contributions of \$4 million from local sales taxes will be allocated for arterial street

improvements to enhance traffic flow throughout the City.



Since earlier approval of the CIP, the State has announced its allocation of funds from the State highway plan. The CIP projected up to \$135 million in State funding; projects within the City only received approximately \$55 million. A review of the local financing options (e.g., bond financing) of freeway construction costs is underway.

Additionally, alternative means for financing certain capital projects categories is under study, e.g., a Storm Drainage Utility and an expanded Downtown Redevelopment initiative.

A contingency amount has been provided to stabilize the plan should any short-term variances occur in revenues or construction costs. The 1990 reserves in the General Debt service fund will be maintained at \$2 million, or 5% of the annual projected revenues.

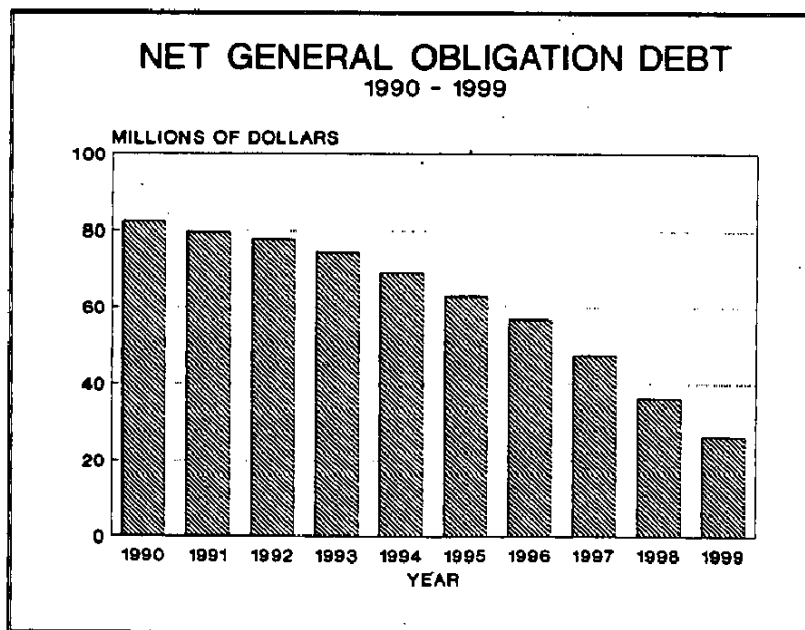
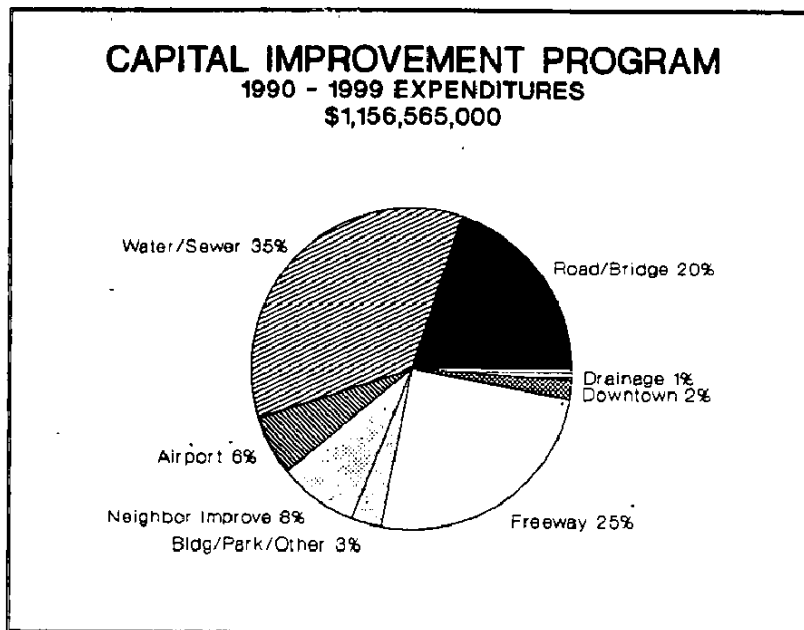
The chart (at right) identifies the distribution of capital projects by expenditure categories.

The CIP currently includes more than \$28 million over five years for public improvements to support community efforts for downtown revitalization. Proposals for downtown redevelopment exceed \$170 million in public improvement capital expenditures.

The general obligation debt outstanding and debt per capita, excluding special assessment and sewer bonds, is scheduled to decrease during the program years. This reduction is from a projected \$92.2 million indebtedness (\$314/capita) in 1989 to \$26.9 million (\$92/capita) in 1999. The chart (below) shows the projected level of bonded indebtedness for the ten-year period from 1990 - 1999 (the chart includes the impact of new debt to be issued during the period). The CIP provides for the option to eliminate the issuance of general obligation bonds for annually recurring capital projects beginning in 1998. At that time, the City could utilize savings in debt service to finance capital projects on a "pay-as-you-go" basis, or utilize the future debt capacity to fund current projects by deferring debt principal payments to later years in the CIP.

The CIP does project increases in various funding sources. An increase in the 9-1-1 Tax (in cooperation with Sedgwick County) is planned to fund a new communications system to support dispatch of public safety services (Police, Fire, Sheriff, Emergency Medical). A 1% increase in the Transient Guest Tax (from the current 5% to a total 6%) was

approved to support renovation of Lawrence-Dumont Stadium, special convention promotions, and provide a \$1.3 million fund for enhancement of the City's cultural/recreation attractions (Art Museum, Botanica, Cowtown, Indian Center, etc.). More detailed information on the 1990 - 1999 Capital Improvements Program is available in the separate CIP document.



BUDGET PROCESS

BUDGET DEVELOPMENT

The preparation of the 1991/92 Budget is the product of a team approach. Again this year, a Budget Review Cabinet was used to work with budget staff to assist the Manager's Office in evaluating departmental requests and framing a budget within the established guidelines. The Cabinet, comprised of management representatives from various departments, reviewed each department submittal and made recommendations for the revised 1990 and the proposed 1991/92 Budgets. A critical element of the budget development guidelines was the relationship of proposed expenditures to the City's Strategic Agenda.

This process was established not only to assist the Manager in the formulation of the budget, but to foster an even better understanding of the City's fiscal operation and cooperative relationship among the departments. It also provided a means to reduce possible duplication of services and equipment to realize increased economies and efficiency in municipal operations.

Following receipt of the Budget Review Cabinet's recommendations, the Manager and Finance staff reviewed all activity budgets and finalized the fiscal program that is recommended to the City Council.

BUDGET ADMINISTRATION AND PERFORMANCE REVIEW

The proposed budget establishes appropriation and expenditure levels. The existence of a particular appropriation in the adopted budget, however, does not automatically mean funds will be expended. Because of the time span between preparing, adopting the annual budget and the end of the budget year, as well as rapidly changing economic factors, each expenditure will be reviewed prior to any disbursement to ensure maximum utilization of available funds. These expenditure review procedures will assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs.

As more constraints are placed on municipal operations, the need for an ongoing program of work load analysis and program evaluation becomes even more critical. Such analysis helps ensure the efficiency and responsiveness of City operations and identifies areas that should be improved. To implement a systematic plan for program review, City departments have identified quantitative measures of program performance and have begun to record ongoing data to monitor program performance against expectations. In this way, the City Council and management will have critical information in the future upon which to make important decisions about allocation of resources and the appropriate methods for service delivery to ensure cost effectiveness and efficiency. The implementation of performance measurements is a multi-year process. Current performance measures are presented by department, in a companion (cross-referenced) document to this 1991 Annual Budget.

BUDGET FORMAT

The adopted Budget for 1991/92 continues the efforts to improve the budget presentation format. These format changes include:

- (1) **Multi-Year Financial Planning:** Complementing efforts to unify and simplify the budget, this budget document continues to present a multi-year operating budget forecast for review by the Council. The need for multi-year financial planning was outlined in the Strategic Agenda, and its importance is highlighted by the projections of adverse fiscal impact over the last several years due to property reappraisal.
- (2) **Consolidation of Funds:** Continuing effort in fund consolidation is reflected in combining the General, Park/Library/Art Museum, and Gas Tax funds for 1991/92. This fund consolidation emphasizes a goal of improved cost accounting (and cost recovery where appropriate) for each program.
- (3) **Personal Services Savings:** The budget was constructed with acknowledgment given to cost savings that may result from personnel (staffing) vacancies. Prior budgets included full personnel costs and assumed

no vacant positions. Using the average annual employment turnover trends, the personal services costs (in the taxing funds) are budgeted at a 98.5 percent level in 1991/92.

- (4) Budget/Financial Report Reconciliation: The 1991/92 Budget has been developed so fund/account descriptions and amounts correspond to the Comprehensive Annual Financial Report. This format change will permit direct comparison of budget allocations and expenditures, consistent with governmental accounting standards.

IMPROVING AND ECONOMIZING OPERATIONS

The budget continues to focus on ways to reduce costs and do more with less. New and innovative management techniques must be developed and skillfully applied if the City is to continue to provide responsive municipal programs/services at a reasonable cost to the public.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, and less costly, methods to provide services are ways in which the City can substantially reduce or stabilize costs to keep City services within the desired budget limitations. A few of the areas proposed for study and/or implementation include:

- (a) Continue work on the recommendations of the Privatization Task Force to evaluate specific services for the most economical approach to service delivery, including contracting or privatization.
- (b) Continue use of "loaned executives" from business and education to provide managerial and technical assistance to assist in operational improvements and efficiencies.
- (c) Continue and expand use of performance measurement and service level indicators to allow for problem identification, resource allocation, improvement of service effectiveness and increased productivity.
- (d) Expand efforts in grantsmanship by actively pursuing Federal/State assistance to improve and revitalize the downtown area, housing, streets, public safety, parks, and cultural programs.
- (e) Continue evaluation of the Police operations study recommendations, and initiate a Fire operations study (planned) to identify more efficient means of service delivery in these two large departments.
- (f) Study the management and organization of Central Inspection to increase the efficiency and responsiveness of inspection services.
- (g) Review the administrative operations of the Municipal Court operation to ensure efficient use of personnel and proper financial controls.
- (h) Complete inventory and sale of all public-owned property that is no longer needed for public purposes. The goal of this program is to restore property for private use and increase the tax base.
- (i) Explore feasibility of automated parking citations and parking enforcement to reduce costs and improve detection of stolen vehicles and improperly registered or licensed vehicles.
- (j) Study feasibility of consolidating maintenance activities of the City, including park, streets, water and sewer, to determine if better utilization of workforce and lower costs could be achieved.
- (k) Implement the space utilization study in City Hall to allow for more efficient use of space, improve efficiency and citizen convenience.
- (l) Develop employee incentive programs to encourage and reward employees for innovation and implementation of cost-saving measures in City programs and services.

- (m) Continue to explore the feasibility of transferring operation of various cultural facilities, such as Art Museum, Cowtown, Indian Center, Botanica, Omnisphere, etc., to private trust or nonprofit groups in order to enhance the attractions and relieve tax support.

COUNCIL POLICY DETERMINATIONS

The annual budget is a policy document for the City Council -- the point when the governing body is asked to approve the "Service Plan" as well as the "Financial Plan" for the coming twenty-four months. Accordingly, the City Council provided guidance/direction on many revenue and expenditure items in the 1991/92 Budget, and will be addressing others, including the following:

REVENUES (Financial Plan)

- (1) Property Tax -- adjusted the mill levy by 1.269 mills to implement the Stated-mandated tax shift from lower Motor Vehicle Taxes.
- (2) Water Rates -- authorized the proposed rate increases (6% each in 1991 and 1992) for plant expansion and acquisition of a future water supply.
- (3) Sewer Rates -- the 1991 Budget is the year for implementation of the final Sewer rate increase (10%) for the phase-in of the cost of the new secondary treatment facility.
- (4) Planning/Zoning Fees -- approve the increase in planning fees (approved last year, but rejected by the County) to defray the costs for preparation of the new Comprehensive Plan.
- (5) Hazardous Materials Inspection Fees -- this is included as a new program contingent upon new fees paid by businesses with hazardous materials, and will be returned to the Council for later consideration.
- (6) Landfill Fees -- the initiatives for improved environmental monitoring at the landfill, composting, and recycling, as well as the rebid of the landfill operations, will require an (undetermined) fee increase.
- (7) Library -- new or increased library user fees, or private donations, are expected as a match for the \$133,000 annual City contribution for a new Library computer system.
- (8) Economic Development -- it is proposed to set the IRB fees for defraying City expenses on industrial revenue bonds at 1/4 of 1%, as authorized by State law.
- (9) 9-1-1 Tax -- an increase in the 9-1-1 Tax (for a 3-5 year period) will be required to fund the acquisition cost of the new 800 MHz "backbone" communications system.

EXPENDITURES (Service Plan)

- (1) Federal Court Settlement -- the City Council agreed to pay the entire \$2.5 million settlement in 1991 from a combination of fund reserves and 1991 savings in revenues over expenditures. The alternative was to issue judgment bonds at an annual cost of \$370,000 for ten years.
- (2) Additional Police Officers -- are budgeted for 1991 (13 officers plus 2 support staff) and 1992 (7 officers and 2 support staff). The additional positions will implement the recommendation of the Police consultant study for field-based officers. The cost are \$438,880 in 1991 and \$258,270 in 1992.
- (3) Park Maintenance -- enhancements are budgeted in 1991 by adding five maintenance personnel, plus equipment, to expand community-wide tree and park maintenance at a cost of \$120,200. In addition, the Equipment Replacement fund will undertake an aggressive program of equipment replacement to ensure job safety and promote higher productivity.

- (4) Branch Library Relocation -- is included (for the Minisa and Sweetbriar branches), contingent upon the Library Board first evaluating the entire branch library system and identifying an improved long-term plan for branch library relocation and/or consolidation. One-time costs are estimated at \$207,000 in 1991, with on-going costs of \$85,000 beginning in 1992.
- (5) Library Computer System -- is budgeted at an annual cost of \$266,000 for five years. It is proposed that the City fund one-half the new system costs and challenge the Library Board to identify increased or new user fees, or private donations to pay the other one-half.
- (6) Art Museum Security -- is budgeted for equipment upgrading, and additional personnel in recognition of the greater security risks from rapidly increasing public attendance. The cost is \$25,460 in 1991, and an additional \$17,000 in 1992.
- (7) Human Services Youth Funding -- is budgeted at \$50,000, and will be used to pay costs for transportation and attendance at recreation programs by low income and disadvantaged youth.
- (8) Affirmative Action Officer -- the budget will provide \$41,140 for a full-time EEO/AA Officer to ensure full implementation of goals for equal employment opportunities for women and minorities.
- (9) Natural Resource Conservation -- the City will move beyond the current efforts in energy conservation to include solid waste, recycling, and water conservation. The additional cost is \$294,440 (paid from the Environmental Management Trust Fund and the Water Utility).
- (10) Bridge Maintenance -- has become a concern with the loss of one bridge (Hillside) and the deterioration of other bridges faster than expected based on bridge sufficiency ratings. The approved expenditure for the increased bridge inspection and maintenance is \$155,000 in 1991.
- (11) Zoning Ordinance -- the present ordinance is in need of major revamping at an estimated \$50,000 cost; successful completion of this project depends upon the increase in planning/zoning fees noted earlier.

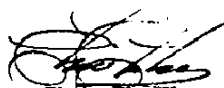
CONCLUSION

When the budget process began, a number of budget goals and strategies were established to guide the formulation of the 1991/92 budget. Some of these included:

- ° Maintain and improve quality of essential services.
- ° Implement strategic agenda improvements.
- ° Evaluate revenue sources to support new services/projects.
- ° Increase efficiency/economy in City services/operations.
- ° Explore alternative delivery of public services.
- ° Examine organizational structures/staffing.
- ° Maintain operating reserves.

The 1991/92 Adopted Budget addresses these goals/strategies and continues to maintain the City's financial stability while addressing critical needs and essential services. The budget presents a balanced program of services and makes a rigorous effort to control operating costs while providing for quality programs and services important to the citizens of Wichita.

Respectfully submitted,


Chris Cherches
City Manager

Acknowledgements: Formulating and preparing a budget document of this kind is the result of countless hours of work by many individuals. The Budget Review Cabinet did an exemplary job in evaluating budget requests. Department Heads (and their Staffs) worked diligently and are commended for their efforts. Special thanks and appreciation are extended to the Finance Staff for their long hours and hard work: Assistant City Manager/Acting Director of Finance Ray Trail, and Rebecca Miller, Barbara Ciboski, Rob Raine, Robert Lancaster, Nancy Brewer, Phil Schwindt, Lisa Butler, Charalambos Charalambous, and Susan Osborn.